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SUBJECT: OFFICIAL FIGURES SPIN UNEMPLOYMENT FIGURES AND THE  
GROWTH OF MEXICO,S INFORMAL ECONOMY

REF: REF: MEXICO 4150

11. SUMMARY: On November 15 INEGI, the GOM,s National Statistics Institute, issued a report stating that during the twelve-month period ending September 2007 Mexico,s official unemployment rate dropped from 4 percent to 3.9 percent. The INEGI report also indicated that during the same twelve-month period some 130,000 additional workers found jobs on the informal economy. This acknowledged increase in the estimated number of persons employed on the informal economy brings the figure of those similarly employed to roughly to 11.53 million workers. According to INEGI, this number represents 26.9 percent of all economically active persons in Mexico over 14 years of age. The official estimate of those employed in Mexico,s informal economy notwithstanding, both the World Bank and the OECD calculate that the real number of persons similarly employed is closer to 45 percent of the country,s working population. In commenting on the INEGI report, a senior Secretariat of Labor (STPS) official pointed to the employment figures as proof that President Calderon,s administration was keeping its campaign promise to promote job creation. The STPS official also stated that the GOM was currently in the process of revising its only formal job creation program &First Job8. Unfortunately, the &First Job8 program is widely viewed both by Mexico,s private sector and by its organized labor movement as an overly bureaucratic initiative that has thus far produced few concrete results. END SUMMARY.

#### A DROP IN OFFICIAL UNEMPLOYMENT FIGURES

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12. On November 15 INEGI, Mexico,s National Statistics Institute, released a report that gave the GOM,s official unemployment figures for the twelve-month period ending September 2007. According to INEGI, during the period in question, the official unemployment rate in Mexico showed a minor drop from 4 percent to 3.9 percent. The report announcing this, at best, slight drop in unemployment received considerable coverage in the Mexican media; far beyond what might be reasonably expected for such a modest achievement. The media attention given the latest release of Mexico,s official unemployment figures seems especially puzzling when one recalls that this past July the GOM,s Secretariat of Labor (STPS) was estimating the official

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unemployment figure at only 3.6 percent.

¶3. Regardless of which number one chooses to use for Mexico,s official unemployment rate, 3.6 percent or 3.9, both figures are somewhat misleading and should be viewed cautiously. Mexico,s official unemployment figures count people as employed if they work as little as one hour a week, make little distinction between those formally and fully employed, underemployed person or persons actively looking for work; all are counted as being employed. Once these factors are taken into account the real unemployment rate could be three or four times as high as the official figures.

The rise in the official unemployment figures from 3.6 to 3.9 percent could be attributed to normal population growth and the consequent increase in the number of new entrants into the Mexican job market. However, given the ongoing, massive, and all but officially GOM sanctioned, migration of Mexican workers to the US, it is difficult to see a bright side to the current employment situation in Mexico.

#### INFORMAL ECONOMY CONTINUES TO GROW

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¶4. In the same report that announced the modest drop in Mexico,s official unemployment figure INEGI also released figures showing an increase in the number of persons employed in the informal economy. According to INEGI, the number of persons calculated to be working in the informal economy is estimated at roughly 11.53 million persons which the GOM agency states is some 26.9 percent of all working people over 14 years of age. This figure of over 11.5 million workers, which is INEGI,s best guess for the twelve-month period ending September 2007, represents an increase of nearly 130,000 people over the same period in the previous year.

¶5. In responding to press inquiries about the meaning of the  
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figures for the growth in the informal economy INEGI acknowledged that the increase in informal jobs was a result of the slow growth of the Mexican economy. Another possible but unacknowledged reason for the growth informal economy can also be guessed at by an examination of some of the other figures contained in the INEGI report. These figures showed that for the roughly 42.9 million persons who are employed in the formal economy, 32.5 percent of them earn, at most, three times the daily minimum wage; or approximately USD 15.00. Given the number of persons whose salaries on the formal economy do not pay the equivalent of USD 15.00 per day it is not surprising that many workers are prepared to try their luck on a job in the informal economy (or risk the hazards of migrating to the US).

#### WORLD BANK, OECD DIFFER WITH INEGI ON THE INFORMAL ECONOMY

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¶6. Although INEGI places the number of people employed in Mexico,s informal economy at 26.9 percent of working people over the age of 14 both the World Bank and the OCED differ with this official GOM figure. According to these two international financial institutions, the real size of the number of persons working in Mexico,s informal economy is somewhere between 42-45 percent of all working people. The World Bank and OCED figures closely match an estimate made this past July by the Governor of the Bank of Mexico, the country,s central bank, who stated that 44 out of every 100 jobs created in Mexico are generated in the informal economy.

#### STPS OFFICIAL PROMOTES JOB CREATION FIGURES; PROMISES MORE

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¶7. Shortly after the release of the INEGI report an Assistant Secretary level official of the GOM,s Secretariat of Labor (STPS) took advantage of a public labor related

event to laud the government,s accomplishments with regard to job creation and reducing unemployment. According to the STPS official, President Calderon is living up to his campaign promise to be the &Employment President<sup>8</sup>. In support of this position the STPS official claimed that in the first nine months of the Calderon administration the government had created 618,000 jobs on the formal economy with all of them registered with Mexican Social Security, IMSS (which is responsible for administering Mexico,s national health care and pension/retirement systems). The statement of the STPS official notwithstanding, an economist interviewed in one of Mexico more well respected newspapers claimed that at least 51 percent of the jobs the GOM says it created are either part-time jobs or outsourced jobs with little or no stability.

¶8. The STSP official also stated that the GOM was currently in the process of revising and re-launching its only formal job creation program &First Job<sup>8</sup>. One of the main reasons cited by Mexican businessmen as a major obstacle to job creation is the high cost and bureaucratic complexity for employers of enrolling workers into Mexico,s Social Security system. A significant number of employers in Mexico go to great lengths to avoid the cost and difficulty of enrolling their employees into IMSS. In order to overcome this barrier, and spur job creation, the Calderon government proposed to subsidize the cost of enrolling new employees into IMSS for up to one year for all workers hired into permanent positions with its &First Job<sup>8</sup> program.

¶9. Unfortunately, the &First Job<sup>8</sup> program is widely viewed both by Mexico,s private sector and by its organized labor movement as an overly bureaucratic initiative that has produced few concrete results. After several months of seeing how the &First Job<sup>8</sup> program has been implement Mexico,s business sector and organized labor movement are in agreement that the complexity of enrolling a newly hired employee into it is every bit as difficult, if not more so, as it is to enroll a new employee hired without the program. Moreover, they claim that the subsidies promised do not cover the full cost of IMSS enrollment. The subsidies paid vary greatly with the type of job and are often too low to entice employers to put up with the increased administrative burden. Such negative criticisms of the &First Job<sup>8</sup> program notwithstanding, the STPS official stated that the GOM was

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committed to making it work. He did not however, specify when the revised &First Job<sup>8</sup> program would be officially re-launched.

COMMENT

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¶10. The INEGI report was an opportunity for the GOM to remind the country that it was aware of the vital importance of job creation. It could also have been an opportunity to honestly acknowledge that the government,s efforts at job creation have yet to produce any significant results. Indirectly, the GOM did signal its intention to solidier on with its endeavors to address Mexico,s pressing need for more and better paid jobs. Mostly, however, the GOM,s handling of the results of the INEGI report came across as an attempt at spin designed to show everyone that President Calderon had not forgotten his campaign promise to be the &Employment President.<sup>8</sup>

<http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at <http://www.intelink.gov/communities/state/nap> / GARZA